

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 L-03 SS-15 NSC-05 H-02

AGR-05 /080 W

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R 091519Z MAR 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7038

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY ROME

AMEMBASSY SOFIA

AMEMBASSY THE HAGUE

AMEMBASSY WARSAW

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 03906

E.O. 11652: GDS

TAGS: ETRD, PFOR, EEC, COMECON, GW

SUBJECT: DRAFT EC-CEMA AGREEMENT

REF: (A) LONDON 2622

(B) EC BRUSSELS 1762

(C) MOSCOW 2904

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1. SUMMARY: FRG REPS SEE BOTH POLITICAL AND ECONOMIC PROBLEMS IN CEMA PROPOSAL AND WILL NEED SOME TIME TO STUDY IT. THEY EXPECT FORMAL NEGOTIATIONS IN DUE COURSE BUT WILL INSIST THAT ANY EC-CEMA AGREEMENT (A) PROTECT STANDARD FRG POSITION RE BERLIN AND (B) NOT AFFECT CURRENT MECHANISM FOR INNER-GERMAN TRADE. END SUMMARY.

2. WE HAVE DISCUSSED CEMA DRAFT WITH OFFICIALS OF FONMINISTRY (FREITAG AND HOELSCHER) AND ECONMINISTRY (ASSISTANT SECRETARY EVERLING AND STAFF). FRG REPS SEE MORE POLITICAL THAN ECONOMIC MOTIVATION BEHIND DOCUMENT, AND THEY DETECT PROBLEMS IN BOTH AREAS. THEY WILL NEED SOME TIME TO STUDY PARTICULARS OF PROPOSAL, BUT THEY EXPECT EC-CEMA NEGOTIATIONS TO BEGIN IN DUE COURSE, PERHAPS THIS YEAR.

3. AS FIRST REACTION, FRG REPS DESCRIBE CEMA DRAFT AS SIGNIFICANT (IF BELATED) POLITICAL REPLY TO EC INITIATIVE TAKEN DURING WELLENSTEIN VISIT TO MOSCOW EARLY 1975. THEY BELIEVE, HOWEVER, THAT CEMA DRAFT AIMS TO PROMOTE EAST-WEST TRADE AT EXPENSE OF EC INTEGRATION. FRG REPS EMPHASIZE BASIC STRUCTURAL DIFFERENCES BETWEEN CEMA AND EC. IN EVERLING'S PHRASE, THEY WILL TAKE CARE TO ASSURE THAT LATER DISCUSSIONS OF DRAFT DO NOT LEAD TO UPGRADING OF CEMA AND DOWNGRADING OF EC. FRG WILLING TO CONSIDER UMBRELLA EC ACCORD WITH CEMA BUT WISHES TO RESERVE SUBSTANTIVE ISSUES FOR AGREEMENTS BETWEEN EC AND CEMA MEMBER STATES.

4. FRG ANALYSTS FOCUS ON THESE ASPECTS OF DRAFT:

(A) WHETHER, IN VIEW COMMON COMMERCIAL POLICY, EC MEMBER STATES SHOULD SIGN FINAL DOCUMENT. ONE ARGUMENT IN FAVOR IS THAT EC WRIT DOES NOT YET RUN FULLY IN AREAS SUCH AS ENVIRONMENT AND STATISTICS (ARTICLE 3). EC MIGHT THEREFORE FOLLOW LOME PRECEDENT, WHEREBY BOTH EC ORGANS AND MEMBER STATES WOULD SIGN FINAL CEMA-EC DOCUMENT.

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 03906

(B) ARTICLE 10 RE GRANTING OF CREDITS ON "MOST
FAVORABLE POSSIBLE CONDITIONS." FRG GIVES NO OFFICIAL
CREDITS TO CEMA STATES AND DOES NOT BELIEVE THAT CEMA
EXPECTS CHANGE IN THAT POSITION. (EVEN SO, OFFICIALS
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SAY THAT FRG BILATERAL AGREEMENTS WITH CEMA STATES
CONTAIN STANDARD PHRASE RE "MOST FAVORABLE POSSIBLE
CONDITIONS.")

(C) SIMILARLY, FRG DOES NOT INTEND TO GRANT
"PREFERENTIAL" TREATMENT TO CEMA STATES (ARTICLE 12).

(D) FRG EXPERTS SAY IT WILL BE IMPOSSIBLE TO GRANT
NONDISCRIMINATORY TRADE TREATMENT (ARTICLE 7) WHICH
CEMA STATES ARE UNABLE TO ATTAIN VIA PRESENT
MECHANISMS. SPECIFICALLY, FOUR CEMA MEMBERS -- HUNGARY,
POLAND, ROMANIA AND CZECHOSLOVAKIA -- BELONG TO GATT
AND THUS ALREADY HAVE CHANNEL TO SEEK REMOVAL OF QUANTI-
TATIVE RESTRICTIONS (QR'S) ON THEIR EXPORTS TO EC.
FRG REPS DOUBT THAT EITHER GATT OR EC-CEMA ACCORD
WOULD LEAD TO REMOVAL OF THESE QR'S.

(E) FRG PUZZLED AS TO HOW DUTIES OF MIXED
COMMISSION (ARTICLE 14) WILL RELATE TO VARIOUS
IMPLEMENTING AGREEMENTS CITED IN ARTICLE 11.

5. EVERLING MENTIONED ALSO TWO UNIQUELY GERMAN
ASPECTS OF CEMA PROPOSAL. FRG WILL INSIST THAT ANY
EC-CEMA AGREEMENT (A) APPLY AS WELL TO BERLIN,
ALTHOUGH FRG LAWYERS HAVE NOT YET EXAMINED BEST MEANS
TO ACHIEVE THAT GOAL, AND (B) HAVE NO EFFECT ON
EXISTING ARRANGMENTS FOR INNER-GERMAN TRADE. EVERLING
STRESSED THAT THESE TWO POINTS ARE NOT AT PRESENT THE
MAJOR FRG CONCERNS WITH CEMA DOCUMENT.

6. FRG REPS ARE ALSO SENSITIVE TO BASIC USG INTERESTS
IN RELATION TO CEMA PROPOSALS ON CUBA (ARTICLE 12)
AND AGRICULTURE (ARTICLE 9).
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